

**THE HOUSING AND REDEVELOPMENT
COMMISSION OF THE CITY OF WATERTOWN
SOUTH DAKOTA, A COMPONENT UNIT OF
THE CITY OF WATERTOWN, SOUTH DAKOTA**

FINANCIAL REPORT

DECEMBER 31, 2011

CONTENTS

Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	1 and 2
Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	3 and 4
Schedule of Prior Audit Findings and Questioned Costs	5
Schedule of Current Audit Findings and Questioned Costs	6
Independent Auditor's Report	7 and 8
Management's Discussion and Analysis (Unaudited)	9-11
Financial Statements	
Statements of net assets	12
Statements of revenues, expenses and changes in net assets	13
Statements of cash flows	14
Notes to financial statements	15-18
Supplementary Information	
Members of the board of commissioners	19
Schedule of expenditures of federal awards	20
Supplemental financial data schedules	21-27

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Commissioners
The Housing and Redevelopment Commission
of the City of Watertown, South Dakota
Watertown, South Dakota

Compliance

We have audited the compliance of The Housing and Redevelopment Commission of the City of Watertown, South Dakota, a component unit of the City of Watertown, South Dakota ("Commission") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Commission's major federal programs for the year ended December 31, 2011. The Commission's major federal program is identified in the summary of auditor's results section of the accompanying schedule of current audit findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Commission's compliance with those requirements.

In our opinion, the Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Commission's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the Commission's internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies,

significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2011-01 to be a material weakness.

The Commission's response to the findings identified in our audit is described in the accompanying Schedule of Current Audit Findings and Questioned Costs. We did not audit the Commission's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the board of commissioners, management, federal awarding agencies and the South Dakota Legislature and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11 and OMB Circular A-133, this report is a matter of public record and its distribution is not limited.

Vilhauer Paul 1/3 Snyder P.C.

Watertown, South Dakota
August 20, 2012

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Commissioners
The Housing and Redevelopment Commission
of the City of Watertown, South Dakota
Watertown, South Dakota

We have audited the financial statements of The Housing and Redevelopment Commission of the City of Watertown, South Dakota, a component unit of the City of Watertown, South Dakota ("Commission") as of and for the year ended December 31, 2011, and have issued our report thereon dated August 20, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Commission is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Commission's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2011-01 to be a material weakness over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit

and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Commission's response to the findings identified in our audit is described in the accompanying Schedule of Current Audit Findings and Questioned Costs. We did not audit the Commission's response and, accordingly, we express no opinion on it.

This report is intended solely for the information of the board of commissioners, management, federal awarding agencies and the South Dakota Legislature and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11 and OMB Circular A-133, this report is a matter of public record and its distribution is not limited.

Vilhauer Ral 3 Snyder P.C.

Watertown, South Dakota
August 20, 2012

**THE HOUSING AND REDEVELOPMENT COMMISSION OF THE CITY OF WATERTOWN,
SOUTH DAKOTA, A COMPONENT UNIT OF THE CITY OF WATERTOWN, SOUTH DAKOTA**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
December 31, 2011**

Prior Other Audit Findings

2010-01

A significant deficiency and material weakness was reported for a lack of segregation of duties. This lack of segregation of duties continues to exist and is restated under current other audit findings as finding number 2011-01.

THE HOUSING AND REDEVELOPMENT COMMISSION OF THE CITY OF WATERTOWN,
SOUTH DAKOTA, A COMPONENT UNIT OF THE CITY OF WATERTOWN, SOUTH DAKOTA

SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
December 31, 2011

Summary of the Independent Auditor's Results

- a. The auditor's report expresses an unqualified opinion on the financial statements of the business-type activity of the Housing and Redevelopment Commission of the City of Watertown, South Dakota, a Component Unit of the City of Watertown, South Dakota.
- b. A material weakness disclosed during the audit of the financial statements is reported in the Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards as item number 2011-01.
- c. No instances of noncompliance material to the financial statements, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
- d. A material weakness in internal control over major federal award programs disclosed during the audit is reported in the Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards as item number 2011-01 and affects all the applicable compliance requirements.
- e. The auditor's report on compliance for the major federal award programs expresses an unqualified opinion on all major federal programs.
- f. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
- g. The federal award tested as a major program was CFDA No. 14.871, Section 8 Housing Choice Vouchers.
- h. The threshold used for distinguishing between Type A and Type B programs was \$300,000.
- i. The Housing and Redevelopment Commission of the City of Watertown, South Dakota, a component unit of the City of Watertown, South Dakota did not qualify as a low-risk entity.

Current Federal and Other Audit Findings

Internal Control Related Findings-Material Weakness

2011-01

Condition: A material weakness was reported for a lack of segregation of duties for the revenue, expenditure and payroll functions. This finding was also reported as a material weakness for internal control over major federal programs.

Criteria: Misstatements in amounts that would be material in relation to the financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Cause: This comment is a result of the size of the Commission, which precludes staffing at a level sufficient to provide an ideal environment for internal controls.

Effect: The possible asserted effect of this condition is the misappropriation of cash or other assets.

Recommendation: We recommend management continue to monitor its delegation of duties and segregate sensitive functions as much as possible.

Views of Responsible Officials and Planned Corrective Actions: Mary A. Goldade, Executive Director, is the contact person at the Commission responsible for the corrective action plan for this comment. The governing board has determined it is not cost beneficial to employ additional personnel for the sole purpose of adequately segregating duties. The Commission is aware of this problem and is attempting to provide compensating controls wherever and whenever possible and practical. However, this lack of segregation of duties continues to exist.

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
The Housing and Redevelopment Commission
of the City of Watertown, South Dakota
Watertown, South Dakota

We have audited the accompanying financial statements of the business-type activity of The Housing and Redevelopment Commission of the City of Watertown, South Dakota, a component unit of the City of Watertown, South Dakota ("Commission") as of December 31, 2011 and 2010, and for each of the years then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activity of the Commission as of December 31, 2011 and 2010, and the results of its operations, changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 20, 2012, on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages 9-11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The listing of the members of the board of commissioners on page 19 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements of the Commission taken as a whole. The accompanying Financial Data Schedules shown on pages 21-27 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Vilhauer Real & Snyder P.C.

Watertown, South Dakota
August 20, 2012

HOUSING AND REDEVELOPMENT COMMISSION OF THE CITY OF WATERTOWN, SD

Management's Discussion and Analysis (Unaudited)

December 31, 2011

This section of the Housing and Redevelopment Commission of the City of Watertown, South Dakota's ("the Authority") annual financial report presents management's discussion and analysis of the Authority's financial performance during the year ended December 31, 2011. This analysis is meant to provide additional insight into the Authority's activities and should be read in conjunction with the Independent Auditor's Report, financial statements, notes to the financial statements and supplementary information.

The Authority

The Authority was established in 1971 for the purpose of providing housing and housing assistance to the low and very low income, elderly, family and disabled, through low rent housing programs designated to provide decent, safe, affordable and sanitary housing. The Authority operates three separate programs for low-income housing. These programs are Public Housing, Section 8 Housing Choice Voucher Program, and Governors houses. A breakdown of the individual programs' financial information can be found in the supplementary information section of the following financial statements.

The Authority's financial statements include the operations of funds that the Authority has established to achieve its purpose. The activity of the Authority is accounted for as a proprietary type fund. The Authority is a component unit of the City of Watertown, South Dakota and its financial statements are included in the Annual Report of the City of Watertown.

Financial Highlights

- Total assets of the Authority increased \$206,554 as of December 31, 2011.
- Total liabilities of the Authority decreased \$17,347 as of December 31, 2011.
- Net assets of the Authority increased \$223,901 as of December 31, 2011.
- Cash and cash equivalents of the Authority increased \$265,070 as of December 31, 2011.
- Unrestricted net assets of the Authority decreased by \$42,275 as of December 31, 2011.

CAPITAL ASSETS

As of December 31, 2011, the Authority's investment in capital assets for its governmental activities was \$1,052,925 (net of accumulated depreciation). This investment in capital assets includes buildings, improvements and equipment.

The Authority withdrew \$38,328 in Capital Funds in the year 2011. This money was used for handheld shower heads (\$1,476) and grab bars (\$3,113) in the 60 units at the Hi-Rise. Six new energy efficient front load washers (\$5,593) were purchased and placed at the Hi-Rise. Each of the houses received a new electric panel (\$22,750) and the 3-bedroom houses had a new kitchen light installed (\$2,120).

LONG-TERM LIABILITIES

As of December 31, 2011, Long-Term Liabilities are \$4,995. This amount is an interest free loan from the City of Watertown which will be paid in full by July, 2013 or before.

PROGRAM REVENUES AND EXPENSES BY MAJOR SOURCE AND CATEGORY

PUBLIC HOUSING

Total revenues increased by \$3,495 and expenses decreased by \$22,031. The small increase in revenue is due to a increase in rent collection. More tenants are employed and paying a portion of their rent. The decrease in expenses comes from a decrease in administrative expenses and ordinary maintenance costs.

CAPITAL FUNDS

Capital funds in the amount of \$38,328 were received in 2011. The Capital Funds drawn down were from the year 2010 grant amount. This amount was a decrease of \$86,665 from December 31, 2010. The decrease in Capital Funds spent is due to the extra ARRA funding received and spent in 2010. Also, the Authority has not started drawing down the 2011 Capital Fund grant.

SECTION 8 VOUCHERS

Total revenues increased by \$20,348 and total expenses decreased by \$259,825 from the prior year. The revenue increase is due to an increase in HUD housing assistance payments since more units were leased in 2010. The decrease in expenses is due to a decrease in administrative salaries and benefits due to retirement and reallocation. Also the decrease is related to a decrease in HAP payments due to a decrease in numbers leased in 2011.

BUSINESS ACTIVITIES

Total operating revenue increased by \$163 and the total expenses decreased by \$846 from the prior year. Revenues and expenses in Business Activities currently only include the three Governors Houses owned by the Housing Authority.

TOTAL REVENUES AND EXPENSES

Total revenues for 2011 decreased by \$87,696 due to a decrease of Capital Funds payments from HUD. Total expenses decreased by \$268,167. A large portion of the decreased amount was due to the lower Payment Standards and the minimum rent for the Housing Assistance Voucher program. Expenses also decreased due to a decrease in administrative costs.

Financial Statements

The discussion and analysis are intended to serve as an introduction to the Authority's financial statements. The Authority is accounted for utilizing fund accounting and employs: 1) the General Bond Resolution Fund and 2) the Second General Bond Resolution Fund. Note 1 to the financial statements provides a description of the organization, funds and significant accounting policies. The financial statements of the Authority provide accounting information similar to that of many other business entities. The Statement of Net Assets summarizes the assets and liabilities, the difference between the two reported as net assets. It also serves as the basis for analysis of the soundness and liquidity of the Authority. The Statement of Revenues, Expenses and Changes in Net Assets summarizes the Authority's operating performance for the year. The Statement of Cash Flows summarizes the flow of cash through the Authority as it conducts its business.

Statements of Net Assets

	<u>2011</u>	<u>2010</u>	<u>Difference</u>
ASSETS			
Current assets	\$ 648,184	\$ 379,793	\$ 268,391
Capital assets	<u>1,052,925</u>	<u>1,114,762</u>	<u>(61,837)</u>
Total assets	<u>\$ 1,701,109</u>	<u>\$ 1,494,555</u>	<u>\$ 206,554</u>
LIABILITIES			
Current liabilities	\$ 43,236	\$ 53,925	\$ (10,689)
Long-term debt	<u>4,995</u>	<u>11,653</u>	<u>(6,658)</u>
Total liabilities	<u>48,231</u>	<u>65,578</u>	<u>(17,347)</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,052,925	1,114,762	(61,837)
Unrestricted net assets	208,792	251,067	(42,275)
Restricted for housing assistance payments	<u>391,161</u>	<u>63,148</u>	<u>328,013</u>
Total net assets	<u>1,652,878</u>	<u>1,428,977</u>	<u>223,901</u>
Total liabilities and net assets	<u>\$ 1,701,109</u>	<u>\$ 1,494,555</u>	<u>\$ 206,554</u>

Statements of Revenues, Expenses and Changes in Net Assets

	<u>2011</u>	<u>2010</u>	<u>Difference</u>
OPERATING REVENUES:			
Dwelling rental income	\$ 250,129	\$ 247,952	\$ 2,177
Other	<u>10,719</u>	<u>58,333</u>	<u>(47,614)</u>
Total operating revenues	<u>260,848</u>	<u>306,285</u>	<u>(45,437)</u>
OPERATING EXPENSES:			
Rental assistance payments	657,008	888,676	(231,668)
General and administrative	<u>650,482</u>	<u>686,981</u>	<u>(36,499)</u>
Total operating expenses	<u>1,307,490</u>	<u>1,575,657</u>	<u>(268,167)</u>
 OPERATING LOSS	 (1,046,642)	 (1,269,372)	 222,730
 NET NONOPERATING REVENUES	 <u>1,232,215</u>	 <u>1,187,809</u>	 <u>44,406</u>
 INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	 185,573	 (81,563)	 267,136
CAPITAL CONTRIBUTIONS	<u>38,328</u>	<u>124,993</u>	<u>(86,665)</u>
 CHANGE IN NET ASSETS	 223,901	 43,430	 180,471
 NET ASSETS, BEGINNING OF YEAR	 <u>1,428,977</u>	 <u>1,385,547</u>	 <u>43,430</u>
NET ASSETS, END OF YEAR	\$ <u>1,652,878</u>	\$ <u>1,428,977</u>	\$ <u>223,901</u>

Contacting the Authority's Financial Management

This report is presented to provide additional information regarding the operations of the Authority and to meet the requirements of GASB Statement No. 34.

The information in this report is intended to provide the reader with an overview of the Authority's operations along with the Authority's accountability for those operations. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Watertown Housing Authority, 24 West Kemp, Watertown, SD.

**THE HOUSING AND REDEVELOPMENT COMMISSION OF THE CITY OF WATERTOWN,
SOUTH DAKOTA, A COMPONENT UNIT OF THE CITY OF WATERTOWN, SOUTH DAKOTA**

STATEMENTS OF NET ASSETS
December 31, 2011 and 2010

ASSETS	2011	2010
Current Assets		
Cash	\$ 559,514	\$ 294,444
Certificates of deposit	35,000	35,000
Accrued interest receivable	22	42
Accounts receivable	12,915	4,021
Prepaid expenses	40,733	46,286
Total Current Assets	648,184	379,793
Property and Equipment		
Land and land improvements	145,152	145,152
Dwelling structures	2,750,274	2,717,539
Dwelling equipment	313,042	317,134
Other equipment and improvements	110,443	115,369
	3,318,911	3,295,194
Accumulated depreciation	(2,265,986)	(2,180,432)
	1,052,925	1,114,762
Total Assets	\$ 1,701,109	\$ 1,494,555
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current maturities of long-term debt	\$ 6,660	\$ 6,660
Accounts payable	12,472	10,223
Accrued expenses	989	10,224
Tenant security deposits	11,964	12,915
Payment in lieu of taxes	11,151	13,903
Total Current Liabilities	43,236	53,925
Long-Term Debt	4,995	11,653
Total Liabilities	48,231	65,578
Net Assets		
Invested in capital assets, net of related debt	1,052,925	1,114,762
Restricted for housing assistance payments	391,161	63,148
Unrestricted net assets	208,792	251,067
Total Net Assets	1,652,878	1,428,977
Total Liabilities and Net Assets	\$ 1,701,109	\$ 1,494,555

See Notes to Financial Statements.

THE HOUSING AND REDEVELOPMENT COMMISSION OF THE CITY OF WATERTOWN,
SOUTH DAKOTA, A COMPONENT UNIT OF THE CITY OF WATERTOWN, SOUTH DAKOTA

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years Ended December 31, 2011 and 2010

	2011	2010
Operating Revenues		
Dwelling rental	\$ 250,129	\$ 247,952
Other income	10,719	58,333
Total Operating Revenues	260,848	306,285
Operating Expenses		
Administration	253,709	276,951
Depreciation	101,679	98,386
Utilities	60,097	59,935
Ordinary maintenance and operation	123,922	145,275
General	80,634	86,080
Rental assistance payments	657,008	888,676
Nonroutine maintenance	30,441	20,354
Total Operating Expenses	1,307,490	1,575,657
Operating Loss	(1,046,642)	(1,269,372)
Nonoperating Revenues (Expenses)		
Department of HUD operating subsidy	1,230,553	1,186,080
Interest income	1,836	1,729
Loss on sale of capital assets	(174)	-
	1,232,215	1,187,809
Income (Loss) Before Capital Contributions	185,573	(81,563)
Capital Contributions-Department of HUD	38,328	124,993
Change in Net Assets	223,901	43,430
Net assets, beginning	1,428,977	1,385,547
Net Assets, Ending	\$ 1,652,878	\$ 1,428,977

See Notes to Financial Statements.

THE HOUSING AND REDEVELOPMENT COMMISSION OF THE CITY OF WATERTOWN,
SOUTH DAKOTA, A COMPONENT UNIT OF THE CITY OF WATERTOWN, SOUTH DAKOTA

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2011 and 2010

	2011	2010
Cash Flows from Operating Activities		
Cash received from tenants	\$ 250,269	\$ 245,035
Cash payments to suppliers for general supplies and services	(321,273)	(318,111)
Cash payments to housing owners for housing assistance	(657,008)	(888,676)
Cash payments to employees for services	(228,963)	(248,718)
Payment in lieu of taxes	(2,752)	(2,612)
Other operating revenues	10,719	58,333
Net Cash from Operating Activities	(949,008)	(1,154,749)
Cash Flows from Noncapital Financing Activities		
Cash received from Department of HUD	1,220,568	1,119,289
Cash Flows from Capital and Related Financing Activities		
Cash received from Department of HUD	38,328	124,993
Proceeds from long-term debt	-	20,000
Principal payments on long-term borrowings	(6,658)	(1,687)
Acquisition of property and equipment	(40,016)	(134,694)
Net Cash from Capital and Related Financing Activities	(8,346)	8,612
Cash Flows from Investing Activities		
Interest on cash and cash equivalents	1,315	454
Interest on certificates of deposit	541	1,275
Net Cash from Investing Activities	1,856	1,729
Net Change in Cash	265,070	(25,119)
Cash, beginning	294,444	319,563
Cash, Ending	\$ 559,514	\$ 294,444
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (1,046,642)	\$ (1,269,372)
Adjustments to Operating Loss		
Depreciation	101,679	98,386
Changes in assets and liabilities:		
Accounts receivable	1,091	(3,568)
Prepaid expenses	5,553	9,223
Accrued annual leave	(9,235)	10,224
Accounts payable	2,249	2,319
Tenant security deposits	(951)	651
Payment in lieu of taxes	(2,752)	(2,612)
Net Cash from Operating Activities	\$ (949,008)	\$ (1,154,749)

See Notes to Financial Statements.

THE HOUSING AND REDEVELOPMENT COMMISSION OF THE CITY OF WATERTOWN,
SOUTH DAKOTA, A COMPONENT UNIT OF THE CITY OF WATERTOWN, SOUTH DAKOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

1. Nature of Business and Significant Accounting Policies

Nature of business

The Housing and Redevelopment Commission of the City of Watertown, South Dakota, a component unit of the City of Watertown, South Dakota ("Commission") operates a public housing project ("PHA") comprised of a five story low-rent housing facility consisting of 60 units for elderly or disabled individuals and 25 separate single family low-rent units, provides Section 8 rental assistance payments ("HAP") for approximately 230 low-income families and rents three houses to elderly or disabled individuals in the Watertown, South Dakota area. The majority of the Commission's operating funds come from the Department of Housing and Urban Development ("HUD").

The five members of the Commission's board are appointed by the mayor, with the approval of City Council. The Commission elects its own chairperson and recruits and employs its own management personnel and other employees. However, the City of Watertown retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct low-income housing units, or to issue debt, which gives the City of Watertown the ability to impose its will on the Commission; therefore, the Commission is a component unit of the City of Watertown.

A summary of the Commission's significant accounting policies follows:

Basis of accounting

The Commission is considered a single enterprise fund for financial reporting purposes. The activities of the Commission are recorded under various programs established for the administration of the Commission's operations. The Commission's financial statements have been prepared on the basis of the governmental proprietary fund concept which pertains to financial activities that operate in a manner similar to private business enterprises and are financed through tenant rental and federal housing assistance programs. The Commission's financial statements are presented on the accrual basis of accounting; revenues are recognized when earned and expenses are recognized when incurred. The Commission applies all applicable Government Accounting Standards Board ("GASB") pronouncements. In accordance with GASB Statement 20, the Commission does not apply any of the Financial Accounting Standards Board ("FASB") Statements and Interpretations issued after November 30, 1989.

In the statement of revenues, expenses and changes in net assets, revenues and expenses are classified in a manner consistent with how they are classified in the statement of cash flows. That is, transactions for which related cash flows are reported are capital and related financing activities, noncapital financing activities or investing activities are not reported as components of operating revenues or expenses.

Substantial operating losses result from the essential services that the Commission provides, and such operating losses will continue in the foreseeable future. To meet the funding requirements of these operating losses, the Commission receives subsidies from the federal government, primarily the U.S. Department of Housing and Urban Development, in the form of annual grants for operating assistance and contributions for capital improvements.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**THE HOUSING AND REDEVELOPMENT COMMISSION OF THE CITY OF WATERTOWN,
SOUTH DAKOTA, A COMPONENT UNIT OF THE CITY OF WATERTOWN, SOUTH DAKOTA**

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

1. Nature of Business and Significant Accounting Policies (Continued)

Deposits and investments

Deposits: The Commission's deposits are made in qualified public depositories as defined by SDCL 4-6A-1 and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 110 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

The actual bank balances at December 31, 2011, were as follows:

Insured (FDIC/NCUA)	\$ 288,095
Uninsured, collateral jointly held by state's/Commission's agent in the name of the state and the pledging financial institution	318,971
	<u>\$ 607,066</u>

The carrying amount of cash and certificates of deposit on the December 31, 2011, statement of net assets was \$594,514.

In general, SDCL 11-7-31 permits the Commission to invest any funds held in reserves or debt service funds, or any funds not required for immediate disbursement, in property or securities in which savings banks may legally invest funds subject to their control.

Investments: In general, SDCL 4-5-6 permits Commission funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a); or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Property and equipment

The Commission defines property and equipment as assets with an initial investment of more than \$5,000 and an estimated useful life in excess of one year. Property and equipment is stated at cost. Depreciation is computed by the straight-line method over the following estimated useful lives:

	Years
Land improvements	40
Dwelling structures	7-40
Dwelling equipment	7
Other equipment and improvements	3-20

Because of its permanent nature, any amount spent to acquire land and land rights is capitalized and because it is an inexhaustible capital asset, land is not depreciated.

Fair value of financial instruments

Unless otherwise indicated, the fair value of all reported assets and liabilities which represent financial instruments (none of which are held for trading purposes) approximate the carrying values of such amounts.

THE HOUSING AND REDEVELOPMENT COMMISSION OF THE CITY OF WATERTOWN,
SOUTH DAKOTA, A COMPONENT UNIT OF THE CITY OF WATERTOWN, SOUTH DAKOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

1. Nature of Business and Significant Accounting Policies (Continued)

Payment in lieu of taxes

The Commission is not required to pay property taxes based on valuations established by the County Commissioners. Instead, payments are made in lieu of taxes, computed at five percent of rent collected.

Cash flows

For purposes of reporting cash flows, the Commission considers all cash accounts and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Advertising costs

The Commission expenses advertising costs as incurred. The advertising costs as of December 31, 2011 and 2010 were \$334 and \$233, respectively.

Application of net assets

It is the Commission's policy to first use restricted net assets, prior to the use of unrestricted net assets, when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

2. Capital Assets

Capital asset activity for the year ended December 31, 2011, was as follows:

	01/1/11	Additions	Deletions	12/31/11
Land and land improvements	\$ 145,152	\$ -	\$ -	\$ 145,152
Dwelling structures	2,717,539	32,735	-	2,750,274
Dwelling equipment	317,134	1,690	(5,782)	313,042
Other equipment and improvements	115,369	5,591	(10,517)	110,443
Accumulated depreciation	(2,180,432)	(101,679)	16,125	(2,265,986)
	\$ 1,114,762	\$ (61,663)	\$ (174)	\$ 1,052,925

3. Long-Term Debt

In September, 2010, the Commission entered into a loan agreement with the City of Watertown to obtain funding to support the Housing Development Project. The loan is to be repaid in thirty six monthly installments of \$555, without interest.

Maturities on the long-term debt are as follows:

Year	Amount
2012	\$ 6,660
2013	4,995
	\$ 11,655

4. Retirement Plans

The Commission contributes to two retirement plans, the South Dakota Retirement System ("SDRS") and the Housing Renewal and Local Agency Retirement Plan.

All employees, working more than 30 hours per week, participate in the SDRS, a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information.

THE HOUSING AND REDEVELOPMENT COMMISSION OF THE CITY OF WATERTOWN,
SOUTH DAKOTA, A COMPONENT UNIT OF THE CITY OF WATERTOWN, SOUTH DAKOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

4. Retirement Plans (Continued)

The SDRS report may be obtained by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098 or calling (605) 773-3731.

Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution.

Full-time employees hired prior to December 31, 2007, participate in the Housing Renewal and Local Agency Retirement Plan, a cost-sharing, multiple employer defined benefit pension plan established to provide retirement benefits for employees of housing and redevelopment commissions. The right to receive retirement benefits vests after five years of credited service. Authority for establishing, administering and amending plan provisions are found in SDCL 11-7. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Housing Renewal and Local Agency, 462 South Fourth Avenue, Suite 1500, Louisville, KY 40202-3431. The Commission contributed 1.0% to the Housing Renewal and Local Agency Retirement Plan for the year ended December 31, 2011. Employees may also make elective contributions. The Commission's share of contributions to the Plans for the years ended December 31, 2011, 2010 and 2009, were \$15,402, \$16,996 and \$15,243, respectively.

5. Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the years ended December 31, 2011 and 2010, the Commission managed its risks as follows:

Employee health insurance

The Commission purchases health insurance for its employees from a commercial insurance carrier.

Liability insurance

The Commission purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier.

Workmen's compensation

The Commission purchases liability insurance for workmen's compensation from a commercial insurance carrier.

Unemployment benefits

The Commission provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

6. Subsequent Events

Management has evaluated subsequent events through August 20, 2012, the date the financial statements were available to be issued. No significant subsequent events have been identified that would require adjustment of or disclosure in the accompanying financial statements.

**THE HOUSING AND REDEVELOPMENT COMMISSION OF THE CITY OF WATERTOWN,
SOUTH DAKOTA, A COMPONENT UNIT OF THE CITY OF WATERTOWN, SOUTH DAKOTA**

**MEMBERS OF THE BOARD OF COMMISSIONERS
December 31, 2011**

<u>Member</u>	<u>Position</u>	<u>Term Expires</u>
Pam Raeder	Chairperson	July 31, 2012
Tom Linngren	Vice Chairperson	July 31, 2014
Russell DeVine	Secretary/Treasurer	June 30, 2015
Joyce Aas	Member	June 30, 2016

THE HOUSING AND REDEVELOPMENT COMMISSION OF THE CITY OF WATERTOWN,
SOUTH DAKOTA, A COMPONENT UNIT OF THE CITY OF WATERTOWN, SOUTH DAKOTA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2011

Federal Grantor Program or Title	Federal CFDA Number	Expenditures
U.S. Department of Housing and Urban Development		
Direct Federal Funding:		
Public and Indian Housing	14.850	\$ 124,712
Section 8 Housing Choice Vouchers (Note 2)	14.871	1,077,542
Public Housing Capital Fund	14.872	66,627
Grand Total		\$ 1,268,881

Note 1: The accompanying schedule of expenditures of federal awards includes the federal grant activity of The Housing and Redevelopment Commission of the City of Watertown, South Dakota, a component unit of the City of Watertown, South Dakota, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from those amounts presented in, or used in the preparation of, the basic financial statements.

Note 2: This represents a major federal financial assistance program.

THE HOUSING AND REDEVELOPMENT COMMISSION OF THE CITY OF WATERTOWN,
SOUTH DAKOTA, A COMPONENT UNIT OF THE CITY OF WATERTOWN, SOUTH DAKOTA

SUPPLEMENTAL FINANCIAL DATA SCHEDULES
December 31, 2011

Line Item Number	Description	Project Totals	Program Totals	Total
Assets				
111	Cash-unrestricted	\$ 139,941	\$ 61,912	\$ 201,853
113	Cash-restricted	-	357,661	357,661
100	Total Cash	139,941	419,573	559,514
122	Accounts receivable-HUD other	9,985	-	9,985
125	Accounts receivable-miscellaneous	-	10,816	10,816
128	Fraud recovery	2,930	-	2,930
129	Accrued interest receivable	22	-	22
120	Total Receivables, Net of Allowance for Doubtful Accounts	12,937	10,816	23,753
131	Investments-unrestricted	35,000	-	35,000
142	Prepaid expenses and other assets	38,373	2,360	40,733
144	Interprogram receivable	-	14,938	14,938
150	Total Current Assets	226,251	447,687	673,938
161	Land	145,152	-	145,152
162	Buildings	2,558,755	191,519	2,750,274
163	Furniture, equipment and machinery-dwellings	313,042	-	313,042
164	Furniture, equipment and machinery-administration	93,720	16,723	110,443
166	Accumulated depreciation	(2,142,238)	(123,748)	(2,265,986)
160	Total Capital Assets, Net of Accumulated Depreciation	968,431	84,494	1,052,925
180	Total Non-Current Assets	968,431	84,494	1,052,925
190	Total Assets	\$ 1,194,682	\$ 532,181	\$ 1,726,863
Liabilities				
312	Accounts payable due 90 days or earlier	\$ 11,961	\$ 11,327	\$ 23,288
322	Accrued compensated absences-current	726	263	989
333	Accounts payable-other government	11,151	-	11,151
341	Tenant security deposits	10,370	1,594	11,964
344	Current portion of long-term debt-operating borrowings	-	6,660	6,660
347	Interprogram payable	14,938	-	14,938
310	Total Current Liabilities	49,146	19,844	68,990
352	Long-Term Debt, Net of Current-Operating Borrowings	-	4,995	4,995
300	Total Liabilities	49,146	24,839	73,985
508.1	Invested in capital assets, net of related debt	968,431	84,494	1,052,925
511.1	Restricted net assets	-	391,161	391,161
512.1	Unrestricted net assets	177,105	31,687	208,792
513	Total Equity/Net Assets	1,145,536	507,342	1,652,878
600	Total Liabilities and Equity/Net Assets	\$ 1,194,682	\$ 532,181	\$ 1,726,863

THE HOUSING AND REDEVELOPMENT COMMISSION OF THE CITY OF WATERTOWN,
SOUTH DAKOTA, A COMPONENT UNIT OF THE CITY OF WATERTOWN, SOUTH DAKOTA

SUPPLEMENTAL FINANCIAL DATA SCHEDULES (CONTINUED)
December 31, 2011

Line Item Number	Description	Project Totals	Program Totals	Total
	Revenue			
70300	Net tenant rental revenue	\$ 223,022	\$ 16,200	\$ 239,222
70400	Tenant revenue-other	10,907	-	10,907
70500	Total Tenant Revenue	233,929	16,200	250,129
70600-010	Housing assistance payments	-	1,077,542	1,077,542
	Total HUD Program Grants	-	1,077,542	1,077,542
70600	HUD PHA Operating Grants	153,011	-	153,011
70610	Capital Grants	38,328	-	38,328
71100	Investment income-unrestricted	949	887	1,836
71400	Fraud recovery	-	3,291	3,291
71500	Other revenue	7,348	80	7,428
71600	Loss on sale of capital assets	(174)	-	(174)
70000	Total Revenue	433,391	1,098,000	1,531,391
91100	Administrative salaries	89,614	43,622	133,236
91200	Auditing fees	14,338	13,988	28,326
91500	Employee benefit contributions-administrative	20,438	15,099	35,537
91600	Office expenses	29,784	23,912	53,696
91800	Travel	2,065	849	2,914
91000	Total Operating-Administrative	156,239	97,470	253,709
92100	Tenant services-salaries	25,650	-	25,650
92300	Employee benefit contributions-tenant services	5,850	-	5,850
92400	Tenant services-other	14,026	-	14,026
92500	Total Tenant Services	45,526	-	45,526
93100	Water	19,356	-	19,356
93200	Electricity	23,018	-	23,018
93300	Gas	17,723	-	17,723
93000	Total Utilities	60,097	-	60,097
94100	Ordinary maintenance and operations-labor	52,664	8,177	60,841
94200	Ordinary maintenance and operations-materials and other	14,927	111	15,038
94300	Ordinary maintenance and operations contracts-garbage and trash removal contracts	33,202	-	33,202
94500	Employee benefit contribution-ordinary maintenance	12,011	2,830	14,841
94000	Total Maintenance	112,804	11,118	123,922
96110	Property insurance	13,497	639	14,136
96120	Liability insurance	1,017	1,030	2,047
96130	Workmen's compensation	2,490	2,490	4,980
96140	All other insurance	2,005	-	2,005
96100	Total Insurance Premiums	19,009	4,159	23,168
96200	Other general expenses	74	-	74
96300	Payment in lieu of taxes	11,151	-	11,151
96400	Bad debts-tenants	715	-	715
96000	Total Other General Expenses	11,940	-	11,940
96900	Total Operating Expenses	405,615	112,747	518,362
97000	Excess of Revenue Over Operating Expenses	27,776	985,253	1,013,029

THE HOUSING AND REDEVELOPMENT COMMISSION OF THE CITY OF WATERTOWN,
SOUTH DAKOTA, A COMPONENT UNIT OF THE CITY OF WATERTOWN, SOUTH DAKOTA

SUPPLEMENTAL FINANCIAL DATA SCHEDULES (CONTINUED)

December 31, 2011

Line Item Number	Description	Project Totals	Program Totals	Total
97100	Extraordinary maintenance	30,441	-	30,441
97300	Housing assistance payments	-	657,008	657,008
97400	Depreciation expense	94,346	7,333	101,679
90000	Total Expenses	530,402	777,088	1,307,490
10010	Operating transfer in	21,590	-	21,590
10020	Operating transfer out	(21,590)	-	(21,590)
10093	Transfers between program and project-in	-	10,816	10,816
10094	Transfers between program and project-out	-	(10,816)	(10,816)
10100	Total Other Financing Sources (Uses)	-	-	-
10000	Excess (Deficiency) of Revenue Over (Under) Expenses	\$ (97,011)	\$ 320,912	\$ 223,901
11030	Beginning equity	\$ 1,242,547	\$ 186,430	\$ 1,428,977
	Total Ending Equity	\$ 1,145,536	\$ 507,342	\$ 1,652,878
11190	Unit Months Available	1,020	3,780	4,800
11210	Unit Months Leased	985	2,271	3,256

THE HOUSING AND REDEVELOPMENT COMMISSION OF THE CITY OF WATERTOWN,
SOUTH DAKOTA, A COMPONENT UNIT OF THE CITY OF WATERTOWN, SOUTH DAKOTA

SUPPLEMENTAL FINANCIAL DATA SCHEDULES (CONTINUED)

December 31, 2011

Line Item Number	Description	Operating Fund Program	Capital Fund Program	Total Projects
Assets				
111	Cash-unrestricted	\$ 139,941	\$ -	\$ 139,941
100	Total Cash	139,941	-	139,941
122	Accounts receivable-HUD Other	9,985	-	9,985
128	Fraud recovery	2,930	-	2,930
129	Accrued interest receivable	22	-	22
120	Total Receivables, Net of Allowance for Doubtful Accounts	12,937	-	12,937
131	Investments-unrestricted	35,000	-	35,000
142	Prepaid expenses and other assets	38,373	-	38,373
150	Total Current Assets	226,251	-	226,251
161	Land	145,152	-	145,152
162	Buildings	2,558,755	-	2,558,755
163	Furniture, equipment and machinery-dwellings	313,042	-	313,042
164	Furniture, equipment and machinery-administration	93,720	-	93,720
166	Accumulated depreciation	(2,142,238)	-	(2,142,238)
160	Total Capital Assets, Net of Accumulated Depreciation	968,431	-	968,431
180	Total Non-Current Assets	968,431	-	968,431
190	Total Assets	\$ 1,194,682	\$ -	\$ 1,194,682
Liabilities				
312	Accounts payable due 90 days or earlier	\$ 11,961	\$ -	\$ 11,961
322	Accrued compensated absences-current	726	-	726
333	Accounts payable-other government	11,151	-	11,151
341	Tenant security deposits	10,370	-	10,370
347	Interprogram payable	14,938	-	14,938
310	Total Current Liabilities	49,146	-	49,146
300	Total Liabilities	49,146	-	49,146
508.1	Invested in capital assets, net of related debt	968,431	-	968,431
512.1	Unrestricted net assets	177,105	-	177,105
513	Total Equity/Net Assets	1,145,536	-	1,145,536
600	Total Liabilities and Equity/Net assets	\$ 1,194,682	\$ -	\$ 1,194,682

THE HOUSING AND REDEVELOPMENT COMMISSION OF THE CITY OF WATERTOWN,
SOUTH DAKOTA, A COMPONENT UNIT OF THE CITY OF WATERTOWN, SOUTH DAKOTA

SUPPLEMENTAL FINANCIAL DATA SCHEDULES (CONTINUED)
December 31, 2011

Line Item Number	Description	Operating Fund Program	Capital Fund Program	Total Projects
	Revenue			
70300	Net tenant rental revenue	\$ 223,022	\$ -	\$ 223,022
70400	Tenant revenue-other	10,907	-	10,907
70500	Total Tenant Revenue	233,929	-	233,929
70600	HUD PHA Operating Grants	124,712	28,299	153,011
70610	Capital Grants	-	38,328	38,328
71100	Investment income-unrestricted	949	-	949
71500	Other revenue	7,348	-	7,348
71600	Loss on sale of capital assets	(174)	-	(174)
70000	Total Revenue	366,764	66,627	433,391
91100	Administrative salaries	89,614	-	89,614
91200	Auditing fees	14,338	-	14,338
91500	Employee benefit contributions-administrative	20,438	-	20,438
91600	Office expenses	29,784	-	29,784
91800	Travel	2,065	-	2,065
91000	Total Operating-Administrative	156,239	-	156,239
92100	Tenant services-salaries	25,650	-	25,650
92300	Employee benefit contributions-tenant services	5,850	-	5,850
92400	Tenant services-other	14,026	-	14,026
92500	Total Tenant Services	45,526	-	45,526
93100	Water	19,356	-	19,356
93200	Electricity	23,018	-	23,018
93300	Gas	17,723	-	17,723
93000	Total Utilities	60,097	-	60,097
94100	Ordinary maintenance and operations-labor	52,664	-	52,664
94200	Ordinary maintenance and operations-materials and other	14,927	-	14,927
94300	Ordinary maintenance and operations	33,202	-	33,202
94500	Employee benefit contribution-ordinary maintenance	12,011	-	12,011
94000	Total Maintenance	112,804	-	112,804
96110	Property insurance	13,497	-	13,497
96120	Liability insurance	1,017	-	1,017
96130	Workmen's compensation	2,490	-	2,490
96140	All other insurance	2,005	-	2,005
96100	Total Insurance Premiums	19,009	-	19,009
96200	Other general expenses	74	-	74
96300	Payment in lieu of taxes	11,151	-	11,151
96400	Bad debts-tenants	715	-	715
96000	Total Other General Expenses	11,940	-	11,940
96900	Total Operating Expenses	405,615	-	405,615
97000	Excess (Deficiency) of Revenue Over (Under) Operating Expenses	(38,851)	66,627	27,776
97100	Extraordinary maintenance	23,732	6,709	30,441
97400	Depreciation expense	94,346	-	94,346
90000	Total Expenses	523,693	6,709	530,402
10010	Operating transfer in	21,590	-	21,590
10020	Operating transfer out	-	(21,590)	(21,590)
10100	Total Other Financing Sources (Uses)	21,590	(21,590)	-
10000	Excess (Deficiency) of Revenue Over (Under) Expenses	\$ (135,339)	\$ 38,328	\$ (97,011)
11030	Beginning Equity	\$ 1,242,547	\$ -	\$ 1,242,547
11040-070	Equity transfers	38,328	(38,328)	-
	Total Ending Equity	\$ 1,145,536	\$ -	\$ 1,145,536
11190	Unit Months Available	1,020	-	1,020
11210	Unit Months Leased	985	-	985

THE HOUSING AND REDEVELOPMENT COMMISSION OF THE CITY OF WATERTOWN,
SOUTH DAKOTA, A COMPONENT UNIT OF THE CITY OF WATERTOWN, SOUTH DAKOTA

SUPPLEMENTAL FINANCIAL DATA SCHEDULES (CONTINUED)

December 31, 2011

Line Item Number	Description	Business Activities	Housing Choice Vouchers	Total Programs
Assets				
111	Cash-unrestricted	\$ 61,912	\$ -	\$ 61,912
113	Cash-restricted	-	357,661	357,661
100	Total Cash	61,912	357,661	419,573
125	Accounts receivable-miscellaneous	-	10,816	10,816
120	Total Receivables	-	10,816	10,816
142	Prepaid expenses and other assets	-	2,360	2,360
144	Interprogram receivable	-	14,938	14,938
150	Total Current Assets	61,912	385,775	447,687
162	Buildings	147,521	43,998	191,519
164	Furniture, equipment and machinery-administration	-	16,723	16,723
166	Accumulated depreciation	(69,187)	(54,561)	(123,748)
160	Total Capital Assets, Net of Accumulated Depreciation	78,334	6,160	84,494
180	Total Non-Current Assets	78,334	6,160	84,494
190	Total Assets	\$ 140,246	\$ 391,935	\$ 532,181
Liabilities				
312	Accounts payable due 90 days or earlier	\$ 10,816	\$ 511	\$ 11,327
322	Accrued compensated absences-current	-	263	263
341	Tenant security deposits	1,594	-	1,594
344	Current portion of long-term debt-operating borrowings	6,660	-	6,660
310	Total Current Liabilities	19,070	774	19,844
352	Long-Term Debt, Net of Current-Operating Borrowings	4,995	-	4,995
300	Total Liabilities	24,065	774	24,839
508.1	Invested in capital assets, net of related debt	78,334	6,160	84,494
511.1	Restricted net assets	-	391,161	391,161
512.1	Unrestricted net assets	37,847	(6,160)	31,687
513	Total Equity/Net Assets	116,181	391,161	507,342
600	Total Liabilities and Equity/Net Assets	\$ 140,246	\$ 391,935	\$ 532,181

THE HOUSING AND REDEVELOPMENT COMMISSION OF THE CITY OF WATERTOWN,
SOUTH DAKOTA, A COMPONENT UNIT OF THE CITY OF WATERTOWN, SOUTH DAKOTA

SUPPLEMENTAL FINANCIAL DATA SCHEDULES (CONTINUED)
December 31, 2011

Line Item Number	Description	Business Activities	Housing Choice Vouchers	Total Programs
Revenue				
70300	Net tenant rental revenue	\$ 16,200	\$ -	\$ 16,200
70500	Total Tenant Revenue	16,200	-	16,200
70600	Housing assistance payments	-	1,077,542	1,077,542
70600	Total HUD Program Grants	-	1,077,542	1,077,542
71100	Investment income-unrestricted	130	757	887
71400	Fraud recovery	-	3,291	3,291
71500	Other revenue	80	-	80
70000	Total Revenue	16,410	1,081,590	1,098,000
91100	Administrative salaries	-	43,622	43,622
91200	Auditing fees	-	13,988	13,988
91500	Employee benefit contributions-administrative	-	15,099	15,099
91600	Office expenses	-	23,912	23,912
91800	Travel	-	849	849
91000	Total Operating-Administrative	-	97,470	97,470
94100	Ordinary maintenance and operations-labor	-	8,177	8,177
94200	Ordinary maintenance and operations	111	-	111
94500	Employee benefit contribution-ordinary maintenance	-	2,830	2,830
94000	Total Maintenance	111	11,007	11,118
96110	Property insurance	639	-	639
96120	Liability insurance	-	1,030	1,030
96130	Workmen's compensation	-	2,490	2,490
96100	Total Insurance Premiums	639	3,520	4,159
96900	Total Operating Expenses	750	111,997	112,747
97000	Excess of Revenue Over Operating Expenses	15,660	969,593	985,253
97300	Housing assistance payments	-	657,008	657,008
97400	Depreciation expense	5,151	2,182	7,333
90000	Total Expenses	5,901	771,187	777,088
10093	Transfers between program and project-in	-	10,816	10,816
10094	Transfers between program and project-out	(10,816)	-	(10,816)
10100	Total Other Financing Sources (Uses)	(10,816)	10,816	-
10000	Excess (Deficiency) of Revenue Over (Under) Expenses	\$ (307)	\$ 321,219	\$ 320,912
11030	Beginning Equity	\$ 116,488	\$ 69,942	\$ 186,430
	Total Ending Equity	\$ 116,181	\$ 391,161	\$ 507,342
11180	Housing Assistance Payments Equity	\$ -	\$ 391,161	\$ 391,161
	Total Ending Equity	\$ -	\$ 391,161	\$ 391,161
11190	Unit Months Available	-	3,780	3,780
11210	Unit Months Leased	-	2,271	2,271